

**ORLEANS TOWNSHIP**

**Ionia County, Michigan**

**Financial Statements**

**And**

**Independent Auditor's Report**

**For the Year ended March 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ORLEANS TOWNSHIP	County IONIA
Fiscal Year End MARCH 31, 2006	Opinion Date AUGUST 15, 2006	Date Audit Report Submitted to State SEPTEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

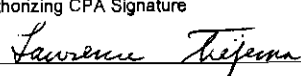
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 1187 HAWLEY HIGHWAY		City SARANAC	State MI
		Zip 48881	
Authorizing CPA Signature 	Printed Name LAWRENCE TIEJEMA		License Number A 256739

# ORLEANS TOWNSHIP

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**Lawrence Tiejema, PC**

**Certified Public Accountant**

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: [tiej@iserv.net](mailto:tiej@iserv.net)

**INDEPENDENT AUDITOR'S REPORT**

August 15, 2006

The Township Board  
Orleans Township  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Orleans Township, Ionia County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

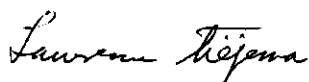
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, and the aggregate remaining fund information of Orleans Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 15, 2006, on my consideration of Orleans Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orleans Township's basic financial statements. The governmental, enterprise, and component unit's financial statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lawrence Tiejema".

Lawrence Tiejema, PC

August 15, 2006

## **Management Discussion and Analysis**

The financial health of Orleans Township improved in the year ended March 31, 2006. Conservative decisions on operating costs, improved earnings on township investments, lack of major capital expenses, and maintenance of state revenue sharing allowed the net assets of the general fund to reach \$410,196. Below are the financial highlights for the year.

### **Financial Highlights**

- (1) Since the township's revenues exceeded expenditures by \$39,245 for the year ended March 31, 2006, the Township's fund balance of the general fund increased to \$258,812. This fund balance represents 92.3% of normal general fund yearly expenditures. This means that Orleans Township could operate for 11 months at normal expenditure rates without any additional revenue.
- (2) To increase earnings on deposits in the General Fund, \$153,490.57 was moved from the checking account on May 25, 2005, to a certificate of deposit at Chemical Bank that earns 3.9%. This certificate of deposit earned \$1,492.19 as of March 31, 2006, for a balance of \$154,982.76.
- (3) State revenue sharing decreased only \$234 to a total of \$186,910 for the year ended March 31, 2006. Since the State of Michigan is legally obligated to continue the revenue sharing subsidy, Orleans Township may not see any significant reductions in state funding in the coming years.
- (4) The Township's sewer system indebtedness was reduced from \$1,602,000 to \$1,407,913 in the year ended March 31, 2006. Part of this reduction was due to an extra principal payment of \$150,000. To increase earnings on sewer cash deposits, \$34,347 of the repair/replacement account and \$101,893 of the Operations/Maintenance account were transferred from checking accounts to certificates of deposit earning 3.93%.
- (5) The Bricker Park Sewer was completed in 2005 with 40 residents coming on line. A grant of \$21,500 this year from Rural Development was used to finish the system which cost a total of \$328,571. Of the Bricker Park residents, 12 have paid off construction assessments and 8 have paid off the hook-up charge.
- (6) The Township received a settlement of \$2,528 from a company that improperly installed laterals to two homes on the new sewer line.
- (7) A chain link fence was installed at the cemetery at a cost of \$1,625. When the Treasurer's computer failed, a replacement was purchased for \$1,437 with the cost shared equally between the general fund and sewer fund.

## **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and cultural, cemetery, and planning. The business-type activity of the Township is the sewer fund. The government-wide financial statements included not only Orleans Township (known as the primary government), but a legally separate Building Authority for which the Township is financially accountable. Financial information for this component unit is located on pages 36-38 of the Notes to the Financial Statement.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. (All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds).

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The basic governmental fund financial statements can be found on pages 13-15 of this report.

**Proprietary funds.** The township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer system operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Orleans Township has one fiduciary fund, the tax agency fund. The basic fiduciary fund statements for the tax agency fund can be found on page 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 20-44 of this report.

## **Orleans Township's Net Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	272,622	2,378,825	2,651,447
Capital assets	151,384	4,283,324	4,434,708
<b>Total assets</b>	<b>424,006</b>	<b>6,662,149</b>	<b>7,086,155</b>
Long-term liabilities outstanding		1,407,913	1,407,913
Other liabilities	13,810	1,985,379	1,999,189
<b>Total liabilities</b>	<b>13,810</b>	<b>3,393,292</b>	<b>3,407,102</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	151,384	2,875,411	3,026,795
Restricted		314,358	314,358
Unrestricted	258,812	79,088	337,900
<b>Total net assets</b>	<b>410,196</b>	<b>3,268,857</b>	<b>3,679,053</b>

The general fund is the sole governmental activity and the sewer fund is the sole business-like activity. The current assets of the general fund consist of cash deposit accounts and taxes receivable. The County of Ionia pays the Township for any 2005 real property taxes that are delinquent as of March 1. The delinquent tax receivable as of March 31, 2006, was \$7566. The general fund liabilities consist of wages and expenses incurred in March of 2006 and paid after the fiscal year in April or May of 2006.

The current and other assets of the sewer fund include cash accounts of \$413,012, taxes receivable of \$14,413, and sewer and hook-up assessments payable of \$1,951,400. The sewer liabilities consist primarily of sewer bonds and loans payable of \$1,407,913 and accrued interest of \$32,006. It can be noted that the receivable from residents subject to sewer assessments is \$543,487 more than the Township's bond and loan liability for the construction of the sewers. A portion of the sewer fund's net assets of \$314,358 represents early payment of sewer assessments. This portion is restricted to future principal payments on sewer debt.

### Orleans Township's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenue:			
Program revenue:			
Charges for services	53,819	275,670	329,489
Capital grants and contributions	-	21,500	21,500
General revenue:			
Property taxes	66,045	-	66,045
State Sources	186,910	-	186,910
Other	10,797	8,869	19,666
Total revenue	317,571	306,039	623,610
Expenses:			
General government	99,212		99,212
Legislative	28,652		28,652
Public safety	72,436		72,436
Public works	57,940		57,940
Recreation and culture	3,180		3,180
Planning	1,492		1,492
Cemetery	17,636		17,636
Insurance	18,265		18,265
Sewer		210,467	210,467
Total expenses	298,813	210,467	509,280
Increase (decrease) in net assets	18,758	95,572	114,330
Net assets - beginning of year	391,438	3,173,285	3,564,723
Net assets - end of year	410,196	3,268,857	3,679,053

In the year ended March 31, 2006, the net assets of the General Fund increased by \$18,758 and the net assets of the Sewer Fund increased by \$95,572. For the general fund, revenues increased by \$15,502 while expenses fell by \$577. General Fund revenue increases came mainly from a \$9,299 increase in charges for services and an increase of interest earnings of \$8,018. Both income and expenses fell slightly in the Sewer Fund for the year ended March 31, 2006. The costs of sewer maintenance and administration is greater than the usage charges, but the interest received from residents for sewer assessments exceeded interest paid on the bonds by \$20,684.

## **Orleans Township's Capital Assets**

### **Orleans Township's Capital Assets (net of depreciation)**

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Land	20,000	40,000	60,000
Machinery and Equipment	131,384	-	131,384
Utility Systems	-	4,243,324	4,243,324
<b>Total</b>	<b>151,384</b>	<b>4,283,324</b>	<b>4,434,708</b>

During the year ended March 31, 2006, capital assets decreased from \$4,489,176 to \$4,434,708 since very few capital items were purchased. The only acquisitions of the general fund were the cemetery fence and a laptop computer for the treasurer.

The completion of the Sewer Fund resulted in the Bricker Park Sewer System being reclassified from Construction in Progress to a finished sewer system. During the year ended March 31, 2006, an additional \$52,008 was expended to complete the Bricker Park Sewer System, bringing the total cost of the system to \$328,571.

### **Examining the Past and Looking to the Future**

During the fiscal year just ended, Orleans Township continued its conservative approach to operating expenditures, made needed changes in the lighting districts, and completed the Bricker Park Sewer System. An ice storm in February 2006 exposed some weaknesses in the back-up generation at the sewer stations. Due to the power failure and blockage in the sewer lines, four homes experienced a back-up in sewer flow. The township board is looking into installing back-up generators at each station. In another situation, the Township was able to collect over \$2,000 from a vendor who had improperly installed laterals at two residences in the new sewer system.

During the past year the Township realigned its three lighting districts. Formerly, a resident in a lighting district was billed according to the street frontage of his/her property. Currently, all residences in lightning districts pay a flat fee per year. In addition to the perception that the new method increases fairness, lighting district financial planning will now be more efficient.

Looking to the future, there is still a concern about the quality of the roads, upgrading of fire equipment, and revenue sharing. The budget for 2006-2007 contains \$8,000 more for road maintenance so that more gravel and brine can be applied to township roads. Other township budgetary functions including township officers, assessing, and community library received modest increases due to an increase in costs and duties. The townhall was recently improved by installing storage space in the rear of the township's meeting room. This will help to keep vital records less accessible to anyone who might enter the township hall. The fire department is always striving to have and use the best equipment available for the protection of township residents. The department's goal is to obtain a new tanker truck in the near future. Grant opportunities are being studied to help in this endeavor.

At the present time, Orleans Township is not aware of any significant expense that it will experience in the next year. However, conservative money management will enable the township to react to any foreseeable future need.

**ORLEANS TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2006**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash and deposits	\$ 260,834	\$ 413,012	\$ 673,846	\$ 1,151
Receivables				
Taxes	7,566	14,413	21,979	
Accounts Receivable				1,152
Special Assessments		1,951,400	1,951,400	
Due from other funds	3,508		3,508	
Internal balances	714	(714)		
Contract Receivable				287,280
Land	20,000	40,000	60,000	
Construction in Progress				
Capital assets, net of accumulated depreciation	131,384	4,243,324	4,374,708	268,546
<b>Total Assets</b>	<b>424,006</b>	<b>6,661,435</b>	<b>7,085,441</b>	<b>558,129</b>
<b>Liabilities</b>				
Accounts payable	13,810	1,259	15,069	
Accrued interest payable		32,006	32,006	1,152
Unearned revenue		1,951,400	1,951,400	
Non-current liabilities:				
Due within one year		45,200	45,200	3,500
Due in more than one year		1,362,713	1,362,713	283,780
<b>Total Liabilities</b>	<b>13,810</b>	<b>3,392,578</b>	<b>3,406,388</b>	<b>288,432</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	151,384	2,875,411	3,026,795	(18,734)
Restricted for:				
Debt service		314,358	314,358	287,280
Unrestricted	258,812	79,088	337,900	1,151
<b>Total net assets</b>	<b>\$ 410,196</b>	<b>\$ 3,268,857</b>	<b>\$ 3,679,053</b>	<b>\$ 269,697</b>

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2006**

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Capital Grants and Contributions	
<b>Primary government</b>				
Governmental activities:				
General government	\$ 98,972	\$ 27,992		\$ (70,980)
Legislative	28,892			(28,892)
Public safety	72,436	2,897		(69,539)
Public works	57,940	8,331		(49,609)
Recreation and culture	3,180	550		(2,630)
Planning	1,492	850		(642)
Cemetery	17,636	13,199		(4,437)
Insurance	18,265			(18,265)
Total government activities	<u>298,813</u>	<u>53,819</u>		<u>(244,994)</u>
Business-type activity:				
Sewer	<u>210,467</u>	<u>275,670</u>	<u>21,500</u>	<u>86,703</u>
Total primary government	<u>\$ 509,280</u>	<u>\$ 329,489</u>	<u>\$ 21,500</u>	<u>(158,291)</u>
<b>Component unit</b>				
Building Authority	<u>\$ 21,566</u>	<u>\$ 13,893</u>		<u>-7,673</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (244,994)	\$ 86,703	\$ (158,291)	\$ (7,673)
General revenues:				
Property taxes	66,045		66,045	
State revenue sharing	186,910		186,910	
Investment earnings	10,797	8,869	19,666	
Total general revenues	263,752	8,869	272,621	
Change in net assets	18,758	95,572	114,330	(7,673)
Net assets, beginning of year	391,438	3,173,285	3,564,723	277,370
Net assets, end of year	\$ 410,196	\$ 3,268,857	\$ 3,679,053	\$ 269,697

(Concluded)

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2006  
GENERAL  
FUND**

<u>ASSETS</u>	<u>FUND</u>
Cash and deposits	\$ 260,834
Receivables:	
Taxes	7,566
Sewer fund	714
Due from other funds	3,508
TOTAL ASSETS	<u>272,622</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
LIABILITIES:	
Accounts payable and accrued expenditures:	
Wages payable	4,545
Payroll taxes	348
Accounts payable	8,917
TOTAL LIABILITIES	<u>13,810</u>
 FUND BALANCE	
Undesignated	<u>258,812</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 272,622</u>

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL  
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	\$	258,812
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add -- land.....		20,000
Add -- capital assets.....		411,331
Deduct -- accumulated depreciation.....		(279,947)
 Net assets of governmental activities.....	 \$	 <u>410,196</u>

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2006**

	GENERAL FUND
REVENUES:	
Property taxes	\$ 66,045
Licenses & permits	1,310
State sources	186,910
Charges for services	45,772
Fines and forfeitures	2,855
Interest	10,797
Other	3,882
TOTAL REVENUES	<u>317,571</u>
EXPENDITURES:	
General government	98,418
Legislative	23,273
Public safety	56,624
Public works	57,940
Recreation and culture	3,180
Planning	1,492
Cemetery	19,134
Insurance	18,265
TOTAL EXPENDITURES	<u>278,326</u>
REVENUES OVER EXPENDITURES	<u>39,245</u>
NET CHANGE IN FUND BALANCES	
FUND BALANCE, BEGINNING OF YEAR	<u>219,567</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 258,812</u></u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND  
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	\$ 39,245
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add capital outlay.....	2,343
Deduct - depreciation expense.....	(22,830)
Change in net assets of government activities.....	<u><u>\$ 18,758</u></u>

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Property taxes	\$ 65,500	\$ 65,500	\$ 66,045	\$ 545
Licenses and permits	2,000	2,000	1,310	(690)
State sources	193,000	193,000	186,910	(6,090)
Charges for services	32,144	32,144	45,772	13,628
Fines and forfeitures	4,000	4,000	2,855	(1,145)
Interest	5,100	5,100	10,797	5,697
Other	15,600	15,600	3,882	(11,718)
<b>TOTAL REVENUES</b>	<b>317,344</b>	<b>317,344</b>	<b>317,571</b>	<b>227</b>
<b>EXPENDITURES</b>				
General government	114,634	116,378	98,418	17,960
Legislative	23,375	26,983	23,273	3,710
Public safety	79,525	80,114	56,624	23,490
Public works	59,360	59,360	57,940	1,420
Recreation and culture	5,300	5,333	3,180	2,153
Planning	3,150	3,383	1,492	1,891
Cemetery	20,000	20,291	19,134	1,157
Insurance	12,000	18,265	18,265	0
<b>TOTAL EXPENDITURES</b>	<b>317,344</b>	<b>330,107</b>	<b>278,326</b>	<b>51,781</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>0</b>	<b>(12,763)</b>	<b>39,245</b>	<b>52,008</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>0</b>	<b>(12,763)</b>	<b>39,245</b>	<b>52,008</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>219,567</b>	<b>219,567</b>	<b>219,567</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 219,567</b>	<b>\$ 206,804</b>	<b>\$ 258,812</b>	<b>-</b>

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**SEWER ENTERPRISE FUND**

**MARCH 31, 2006**

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**Assets**

**Current Assets**

Cash and deposits	\$ 98,654
Accounts receivable	14,413
Special assessments -- current portion	48,179
<b>Total current assets</b>	<u>161,246</u>

**Noncurrent Assets**

Restricted cash deposits	314,358
Special assessments receivable	1,903,221
Property, plant, and equipment, net of accumulated depreciation	4,283,324
<b>Total noncurrent assets</b>	<u>6,500,903</u>

<b>Total Assets</b>	<u>6,662,149</u>
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**Liabilities**

**Current liabilities**

Accounts payable	1,973
Accrued interest payable	32,006
Bonds payable -- current portion	45,200
<b>Total current liabilities</b>	<u>79,179</u>

**Noncurrent liabilities**

Deferred revenue	1,951,400
Sewer Bonds Payable	1,362,713
<b>Total noncurrent liabilities</b>	<u>3,314,113</u>

<b>Total Liabilities</b>	<u>3,393,292</u>
--------------------------	------------------

**Net assets**

Invested in capital assets, net or related debt	2,875,411
Restricted for debt service	314,358
Unrestricted	79,088
<b>Total net assets</b>	<u><u>\$ 3,268,857</u></u>

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**SEWER ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**Operating revenues**

Charges for services:

Usage fees	\$ 54,776
Permits	1,040
Hookups	6,497
Total charges for services	<u>62,313</u>

<b>Total operating revenues</b>	<u>62,313</u>
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**Operating expenses**

Administration	32,171
Plant operation and maintenance	21,666
Depreciation	<u>86,707</u>

<b>Total operating expenses</b>	<u>140,544</u>
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<b>Operating income</b>	<u>(78,231)</u>
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**Nonoperating revenue (expenses)**

Special assessments	120,222
Special assessment interest	90,607
Grant revenue	21,500
Interest income	8,869
Bond interest expense	(69,923)
Legal settlement	<u>2,528</u>

<b>Total non-operating revenues (expenses)</b>	<u>173,803</u>
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Change in net assets	95,572
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Net assets, beginning of year	<u>3,173,285</u>
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<b>Net assets, end of year</b>	<u><u>\$ 3,268,857</u></u>
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The accompanying notes are an integral part of the financial statements.

ORLEANS TOWNSHIP

STATEMENT OF CASH FLOWS  
SEWER FUNDS

FOR THE YEAR ENDED MARCH 31, 2006

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<b>Cash from operating activities</b>	
Cash received from customers	\$ 115,918
Cash paid for administration	(16,485)
Cash paid to suppliers	(23,208)
Cash paid to employees	<u>(14,567)</u>
<b>Net cash provided by operating activities</b>	<u>61,658</u>
<b>Cash flows from capital and related financing activities</b>	
Principal paid on bonds	(194,087)
Interest paid on bonds	(72,946)
Cash received from assessment payoffs	78,392
Cash received from special assessments	82,630
Capital grant received	21,500
Purchase of new equipment	(718)
New sewer construction	<u>(52,008)</u>
<b>Net cash (used in) capital and relating financing activities</b>	<u>(137,237)</u>
<b>Cash flows from investing activities</b>	
Interest received on deposits and investments	<u>8,869</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(66,710)
Cash and cash equivalents at the beginning of the year	<u>479,722</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$ 413,012</u></u>
<b>Reconciliation of net income to net cash provided by operating activities</b>	
Net income	96,685
Adjustments to reconcile net income to cash provided	
Depreciation expense	86,707
Changes in assets and liabilities which provided (used) cash	
Accounts receivable	1,577
Accounts payable	3,753
Deferred revenue	<u>(127,064)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 61,658</u></u>

The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP**

**FIDUCIARY FUND**

**TAX AGENCY FUND**

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**STATEMENT OF NET ASSETS**

**MARCH 31, 2006**

**Assets**

Cash in bank	\$	3,508
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**Liabilities**

Due to other funds	\$	<u>3,508</u>
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**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**Receipts**

Tax Collections	\$	1,580,566
Interest and penalty income		<u>3,605</u>
Total cash receipts		<u>1,584,171</u>

**Disbursements**

Tax payments to government agencies		1,578,860
Refunds		4,311
Collection fees and expenses		<u>42</u>
Total cash disbursements		<u>1,583,213</u>

<b>Total receipts over (under) disbursements</b>		<b>958</b>
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Cash balance at the beginning of the year		<u>2,550</u>
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<b>Cash balance at the end of the year</b>	<b>\$</b>	<b><u>3,508</u></b>
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The accompanying notes are an integral part of the financial statements.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Orleans Township was organized on March 25, 1846, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (police, fire, ambulance), road maintenance, sewer, parks and recreation, cemetery, public improvements, planning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. Discretely presented component units, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Township.

**Discretely Presented Component Unit**

The Orleans Building Authority (BA) was created by Orleans Township in 2000 to construct a township hall and fire barn. The purpose of the Building Authority was to issue bonds and supervise the construction of the building. The Building Authority is now responsible for making bi-yearly principal/interest payments on the two building bonds. Revenue for paying off the bonds comes from rent/lease payments made by the General Fund of Orleans Township. The BA is under the supervision and control of a four member board consisting of a supervisor and three other members.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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The Township approves the BA's budget and has the ability to significantly influence operations of the BA.

Separate financial statements are included in the supplementary information of this audit report.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary funds. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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Additionally, the Township reports the following fund type:

**Tax Agency Fund** – This fund is used to account for property tax collections from Orleans Township real and personal property owners and its disbursement to applicable government entities and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data that is reflected in the financial statements:

1. The budgets are generated with input from various department heads, clerk, treasurer, supervisor, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds of the Sewer Fund, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**Due To and Due From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental and business activities column in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	Depreciable <u>Life-Years</u>
Sanitary sewer systems.....	40 – 60
Furniture and equipment.....	5 – 15
Building and structures.....	10 – 40
Trucks and vehicles.....	5
Machinery and equipment.....	7 – 20

**Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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Taxes levied on December 1 are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township and other governmental entities in the county; summer taxes are collected for other entities within the Orleans Township and Ionia County.

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

**Deferred Revenue**

Government funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds are as follows:

Special assessments levied for Sewer Fund	\$ 49,179
Long-term special assessments	<u>1,902,221</u>
	<b><u>\$ 1,951,400</u></b>

**Fund Equity**

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. The general fund of Orleans has no reservation or designations of its \$258,812 fund equity.

## ORLEANS TOWNSHIP

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED MARCH 31, 2006

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##### Interfund Transactions

Except for the transfer of \$17,407 to the Building Authority as a rental/lease payments, Orleans Township had no transfers between funds.

##### Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group. The insurance limitations are: Property, \$1,196,000; Liability, \$2,000,000; Wrongful acts, \$2,000,000. In addition, township fire equipment is insured to a maximum of \$459,480 for each occurrence. While on duty, firemen are covered for personal injury and death with a death benefit of \$200,000 and medical injury benefits up to \$100,000 per year.

## 2. CASH AND DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

	Governmental Activities	Business- type Activities	Component Unit	Agency	Total
Deposits:					
Cash and deposits	102,751	98,654	1,151	3,508	206,064
Restricted cash and deposits	-	314,358	-	-	314,358
Investments	158,083	-	-	-	158,083
	<u>260,834</u>	<u>413,012</u>	<u>1,151</u>	<u>3,508</u>	<u>678,505</u>

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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The carrying amount of the Township's general fund and sewer fund deposits at March 31, 2006, is \$673,846. These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. The Federal Deposit Insurance Corporation insures \$300,000 of the township deposits since the limit on the insurance in each bank is \$100,000. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

**Statutory Authority**

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.
4. Bankers acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

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Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Orleans Township are in Category 1 and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/06</u>
General Fund:		
Independent Bank	General Fund checking account	\$ 94,254
Chemical Bank West	Act 495 deposit account	219
Chemical Bank West	General Fund certificate of deposit	154,983
Chemical Bank West	Cemetery certificate of deposit	3,100
Chemical Bank	Street Lighting checking account	<u>8,278</u>
TOTAL GENERAL FUND		<u>\$ 260,834</u>
Sewer Fund		
Ionia County National Bank	Operations/Maintenance	\$ 78,231
Independent Bank	Bricker Bond Payment	12,078
Chemical Bank West	Operations/Maintenance cert of deposit	117,888
Ionia County National Bank	Receiving Fund	1,847
Ionia County National Bank	Sewer Bond Payment account	163,337
Ionia County National Bank	Repair/Replace account	38,431
Ionia County National Bank	Bond Reserve account	<u>1,200</u>
TOTAL SEWER FUND		<u>\$ 413,012</u>

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**3. CAPITAL ASSETS**

A summary of changes in Capital Assets follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 20,000			\$ 20,000
Capital assets, being depreciated:				
Machinery and equipment	408,987	2,344		411,331
Less accumulated depreciation for:				
Machinery and equipment	257,116		22,831	279,947
<b>Total capital assets, being depreciated net</b>	<b>151,871</b>	<b>2,344</b>	<b>22,831</b>	<b>131,384</b>
<b>Governmental activities capital assets, net</b>	<b>171,871</b>			<b>151,384</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	40,000			40,000
Construction in Progress	276,563		276,563	0
<b>Total capital assets, not being depreciated</b>	<b>40,000</b>			<b>40,000</b>
Capital assets, being depreciated				
Utility Systems	4,167,439	328,571		4,496,010
Office equipment	4,167,439	718		718
	4,167,439	329,289		4,496,728
Less accumulated depreciation for:				
Utility Systems	166,697		86,635	253,332
Office Equipment	166,697		72	72
	166,697		86,707	253,404
<b>Total capital assets, being depreciated, net</b>	<b>4,000,742</b>	<b>329,289</b>	<b>(86,707)</b>	<b>4,243,324</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 4,040,742</b>			<b>\$ 4,283,324</b>

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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Depreciation expense was charged to functions/programs of the primary government as follows:

March 31, 2006

Governmental activities:

General government	\$ 6,892
Cemetery	127
Public safety	<u>15,812</u>
Total depreciation expense— governmental activities	<u>\$ 22,831</u>

Business-type activities  
Sewer

\$ 86,707

**4. CONTRIBUTORY PENSION PLAN**

Orleans Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are elected officials and individuals appointed to an office including the fire chief, deputy fire chief, deputy treasurer, and permit officer. The Township contributes 10% of the participant's compensation. There are no contributions made by the beneficiaries. For the year ended March 31, 2006, the Township contributed \$6,009 to the pension plan.

**5. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For governmental fund bond issues after January 1, 2001, and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

# ORLEANS TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2006

The following is a summary of debt transactions of the Township for the year ended March 31, 2006:

	Balance March 31, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2006</u>	Date Within One Year <u>Year</u>
Business-like activities:					
Sewer Fund					
Construction Bond -- \$1,542,000 at 4.75% interest Dated November 28, 2001	\$1,463,500	-	189,500	\$1,274,000	\$ 39,500
Improvement Bond \$70,400 at 4.75% interest Dated November 28, 2002	68,500	-	700	67,800	800
Bricker Park Construction loan \$70,000 at 4.5% interest' Dated August 5, 2005	<u>70,000</u>	<u>-</u>	<u>3,887</u>	<u>66,113</u>	<u>5,000</u>
Total of business-like activities	1,602,000	-	194,087	1,407,913	45,300
Component unit:					
Building Authority					
Construction Bond \$250,000 at 4.75% interest Dated September 18, 2000	243,000	-	3,000	240,000	3,000
Construction Bond \$49,480 at 5.125% interest Dated September 18, 2000	<u>47,780</u>	<u>-</u>	<u>500</u>	<u>47,280</u>	<u>500</u>
Total of component unit activities	<u>\$ 290,780</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 287,280</u>	<u>\$ 3,500</u>

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

The annual requirements to maturity on the total long-term obligations outstanding at March 31, 2006, are as follows:

	<u>Sewer Fund</u>		<u>Building Authority</u>		<u>Totals Reporting Entity</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006-2007	\$ 45,300	\$ 65,893	\$ 3,500	\$ 13,738	\$ 128,431
2007-2008	45,300	62,670	3,500	13,571	125,041
2008-2009	50,300	61,536	3,600	13,400	128,836
2009-2010	45,400	59,158	3,600	13,227	121,385
2010-2014	243,713	262,187	21,500	63,279	590,679
2015-2019	204,200	208,194	27,400	57,403	497,197
2020-2024	206,400	159,483	34,700	49,897	450,480
2025-2029	208,500	110,272	44,300	40,441	403,513
2030-2034	211,300	60,501	56,500	28,329	356,630
2035-2039	143,700	13,192	72,000	13,011	241,903
2040-2041	3,800	180	16,680	401	21,061
	<u>\$ 1,407,913</u>	<u>\$ 1,063,266</u>	<u>\$ 287,280</u>	<u>\$ 306,697</u>	<u>3,065,156</u>

The Township's legal debt margin is based on 10% of state equalized value. For 2006 the equalized value of Orleans Township is \$84,914,000, which makes the debt limit \$8,491,140. Revenue, special assessment, and various self supporting obligations are excluded from the state defined debt limit.

## 6. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**7. DUE FROM (TO) OTHER FUNDS**

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2006, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ -	\$ 3,508
Tax Agency Fund	\$ 3,508	\$ -

“Due to” and “due from” balances represent an amount in the tax-agency fund which may be transferred into the general fund.

**8. COMPLETION OF BRICKER PARK SEWER LINE**

Orleans Township completed the construction of the Bricker Park Sewer Line in 2005 at an additional cost of \$52,008. The total cost for the construction of the Bricker Park Sewer Line was \$328,571.

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**9. COMPONENT UNIT – BUILDING AUTHORITY**

The general fund of Orleans Township reimburses the Building Authority for all of its expenses. These expenses consist of bond principal and interest payments and attorney and accountant fees. Given here are the financial statements of the Building Authority for the year ended March 31, 2006.

**COMPONENT UNIT -- BUILDING AUTHORITY**

**STATEMENT OF NET ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**ASSETS:**

Current assets	
Cash in bank	\$ 1,151
Interest receivable	1,152
Total current assets	<u>2,303</u>
Noncurrent assets	
Contract receivable	287,280
Township building and fire barn, net of depreciation	<u>268,546</u>
Total noncurrent assets	555,826
 TOTAL ASSETS	 558,129

**LIABILITIES:**

Current liabilities	
Interest payable	<u>1,152</u>
Noncurrent liabilities	
Bonds payable	<u>287,280</u>
 TOTAL LIABILITIES	 <u>\$ 288,432</u>

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**COMPONENT UNIT -- BUILDING AUTHORITY**

**NET ASSETS:**

Capital assets, net of related debt	\$ (18,734)
Restricted net assets	287,280
Unrestricted net assets	<u>1,151</u>
<b>TOTAL NET ASSETS</b>	<u><u>269,697</u></u>

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS**

<b>Revenues</b>	
General fund transfer in	<u>13,893</u>
Total revenues	13,893
 <b>Expenses</b>	
Interest expense	13,893
Depreciation expense	<u>7,673</u>
Total expenses	21,566
 Changes in net assets	<u><u>\$ (7,673)</u></u>

**ORLEANS TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**COMPONENT UNIT -- BUILDING AUTHORITY**

**SCHEDULES OF CASH RECEIPTS AND EXPENDITURES**  
For the Year ended March 31, 2006

Cash in bank, March 31, 2005	\$ 1,151
Receipts received from the general fund	
Received for bond interest payments	13,907
Received for bond principal payments	<u>3,500</u>
Total cash received	<u>17,407</u>
Expenditures	
Payments of bond interest expenses	13,907
Payments of bond principal	<u>3,500</u>
Total cash expended	<u>17,407</u>
Cash in bank, March 31, 2006	<u>\$ 1,151</u>

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

**10. SCHEDULE OF INDEBTEDNESS – ALL FUNDS**

<p style="text-align: center;">ORLEANS TOWNSHIP SCHEDULE OF INDEBTEDNESS MARCH 31, 2006</p>						
	Interest					
	Year	Rate	Principal	Interest	Interest	Total
<b>SEWER FUND DEBT:</b>						
	2006/07	4.75%	39,500	30,258	29,319	99,077
Construction of Sewer	2007/08	4.75%	39,500	28,319	28,381	96,200
Bonded indebtedness:	2008/09	4.75%	39,500	28,381	27,443	95,324
\$1,542,000, dated November	2009/10	4.75%	39,500	27,443	26,505	93,448
28, 2001. Interest rate: 4.75%	2010/11	4.75%	39,500	26,505	25,567	91,572
	2011/12	4.75%	39,500	25,567	24,629	89,696
	2012/13	4.75%	39,500	24,629	23,691	87,820
	2013/14	4.75%	39,500	23,691	22,752	85,943
	2014/15	4.75%	39,500	22,752	21,814	84,066
	2015/16	4.75%	39,500	21,814	20,876	82,190
	2016/17	4.75%	39,500	20,876	19,938	80,314
	2017/18	4.75%	39,500	19,938	19,000	78,438
	2018/19	4.75%	39,500	19,000	18,062	76,562
	2019/20	4.75%	39,500	18,062	17,124	74,686
	2020/21	4.75%	39,600	17,124	16,183	72,907
	2021/22	4.75%	39,600	16,183	15,243	71,026
	2022/23	4.75%	39,600	15,243	14,302	69,145
	2023/24	4.75%	39,600	14,302	13,362	67,264
	2024/25	4.75%	39,600	13,362	12,421	65,383
	2025/26	4.75%	39,600	12,421	11,481	63,502
	2026/27	4.75%	39,600	11,481	10,540	61,621
	2027/28	4.75%	39,600	10,540	9,600	59,740
	2028/29	4.75%	39,600	9,600	8,659	57,859
	2029/30	4.75%	39,600	8,659	7,719	55,978
	2030/31	4.75%	39,600	7,719	6,778	54,097
	2031/32	4.75%	39,600	6,778	5,838	52,216
	2032/33	4.75%	39,600	5,838	4,897	50,335

# ORLEANS TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2006

		Interest				
	Year	Rate	Principal	Interest	Interest	Total
	2033/34	4.75%	39,600	4,897	3,957	48,454
	2034/35	4.75%	39,600	3,957	3,016	46,573
	2035/36	4.75%	39,600	3,016	2,076	44,692
	2036/37	4.75%	39,600	2,076	1,135	42,811
	2037/38	4.75%	39,600	1,135	195	40,930
	2038/39	4.75%	8,200	195		8,395
Subtotal			1,274,000	501,761	472,503	2,248,264
Construction of Sewer Bonded indebtedness: \$70,400, dated November 28, 2002. Interest rate: 4.75%	2006/07	4.75%	800	1,610	1,610	4,020
	2007/08	4.75%	800	1,591	1,591	3,982
	2008/09	4.75%	800	1,572	1,572	3,944
	2009/10	4.75%	900	1,553	1,553	4,006
	2010/11	4.75%	900	1,532	1,532	3,964
	2011/12	4.75%	1,000	1,510	1,510	4,020
	2012/13	4.75%	1,000	1,487	1,487	3,974
	2013/14	4.75%	1,100	1,463	1,463	4,026
	2014/15	4.75%	1,100	1,437	1,437	3,974
	2015/16	4.75%	1,200	1,411	1,411	4,022
	2016/17	4.75%	1,300	1,382	1,382	4,064
	2017/18	4.75%	1,300	1,351	1,351	4,002
	2018/19	4.75%	1,400	1,321	1,321	4,042
	2019/20	4.75%	1,500	1,287	1,287	4,074
	2020/21	4.75%	1,500	1,252	1,252	4,004
	2021/22	4.75%	1,600	1,216	1,216	4,032
	2022/23	4.75%	1,700	1,178	1,178	4,056
	2023/24	4.75%	1,800	1,138	1,138	4,076
	2024/25	4.75%	1,800	1,095	1,095	3,990
	2025/26	4.75%	1,900	1,052	1,052	4,004
	2026/27	4.75%	2,000	1,007	1,007	4,014
	2027/28	4.75%	2,100	960	960	4,020

# ORLEANS TOWNSHIP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2006

		Interest				
	Year	Rate	Principal	Interest	Interest	Total
	2028/29	4.75%	2,200	910	910	4,020
	2029/30	4.75%	2,300	857	857	4,014
	2030/31	4.75%	2,400	803	803	4,006
	2031/32	4.75%	2,500	746	746	3,992
	2032/33	4.75%	2,700	686	686	4,072
	2033/34	4.75%	2,800	622	622	4,044
	2034/35	4.75%	2,900	556	556	4,012
	2035/36	4.75%	3,000	487	487	3,974
	2036/37	4.75%	3,200	416	416	4,032
	2037/38	4.75%	3,300	340	340	3,980
	2038/39	4.75%	3,500	261	261	4,022
	2039/40	4.75%	3,700	178	178	4,056
	2040/41	4.75%	3,800	90	90	3,980
						0
	Subtotal		67,800	36,357	36,357	140,514
Bricker Park Sewer Construction Commercial loan, rate 4.55% \$70,000 October 2004	2006/07	4.50%	5,000	1,592	1,504	8,096
	2007/08	4.50%	5,000	1,390	1,398	7,788
	2008/09	4.50%	10,000	1,284	1,284	12,568
	2009/10	4.50%	5,000	1,049	1,055	8,153
	2010/11	4.50%	10,000	935	940	11,875
	2011/12	4.50%	5,000	708	712	6,420
	2012/13	4.50%	10,000	597	597	11,194
	2013/14	4.50%	5,000	367	369	5,736
	2014/15	4.50%	11,113	253	254	11,620
	Subtotal		66,113	8,175	8,113	82,401
Total Sewer Fund Debt			<u>1,407,913</u>	<u>546,293</u>	<u>516,973</u>	<u>2,471,179</u>

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

		Interest				
	Year	Rate	Principal	Interest	Interest	Total
COMPONENT UNIT						
BUILDING AUTHORITY						
	2006/07	4.75%	3,000	5,700	5,629	14,329
Building Construction Bond	2007/08	4.75%	3,000	5,629	5,557	14,186
US Department of Agriculture --	2008/09	4.75%	3,000	5,557	5,486	14,043
Rural Development	2009/10	4.75%	3,000	5,486	5,415	13,901
September 18, 2000	2010/11	4.75%	3,000	5,415	5,344	13,759
\$ 250,000 Interest Rate: 4.75%	2011/12	4.75%	3,000	5,344	5,272	13,616
	2012/13	4.75%	4,000	5,272	5,177	14,449
	2013/14	4.75%	4,000	5,177	5,083	14,260
	2014/15	4.75%	4,000	5,083	4,988	14,071
	2015/16	4.75%	4,000	4,988	4,893	13,881
	2016/17	4.75%	4,000	4,893	4,797	13,690
	2017/18	4.75%	5,000	4,798	4,679	14,477
	2018/19	4.75%	5,000	4,679	4,560	14,239
	2019/20	4.75%	5,000	4,560	4,441	14,001
	2020/21	4.75%	5,000	4,441	4,323	13,764
	2021/22	4.75%	6,000	4,323	4,180	14,503
	2022/23	4.75%	6,000	4,180	4,038	14,218
	2023/24	4.75%	6,000	4,038	3,895	13,933
	2024/25	4.75%	6,000	3,895	3,753	13,648
	2025/26	4.75%	7,000	3,753	3,586	14,339
	2026/27	4.75%	7,000	3,586	3,420	14,006
	2027/28	4.75%	7,000	3,420	3,254	13,674
	2028/29	4.75%	8,000	3,254	3,064	14,318
	2029/30	4.75%	8,000	3,064	2,874	13,938
	2030/31	4.75%	9,000	2,874	2,660	14,534
	2031/32	4.75%	9,000	2,660	2,446	14,106

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

Interest						
	Year	Rate	Principal	Interest	Interest	Total
	2032/33	4.75%	9,000	2,446	2,232	13,678
	2033/34	4.75%	10,000	2,232	1,995	14,227
	2034/35	4.75%	10,000	1,995	1,757	13,752
	2035/36	4.75%	11,000	1,757	1,496	14,253
	2036/37	4.75%	11,000	1,496	1,235	13,731
	2037/38	4.75%	12,000	1,235	950	14,185
	2038/39	4.75%	13,000	950	641	14,591
	2039/40	4.75%	13,000	641	332	13,973
	2040/41	4.75%	14,000	332	-	14,332
						0
	Subtotal		240,000	129,153	123,452	492,605
	2006/07	5.125%	500	1,212	1,199	2,911
US Department of Agriculture --	2007/08	5.125%	500	1,199	1,186	2,885
Rural Development	2008/09	5.125%	600	1,186	1,171	2,957
September 18, 2000	2009/10	5.125%	600	1,171	1,155	2,926
\$ 49,480 Interest Rate: 5.125%	2010/11	5.125%	600	1,155	1,140	2,895
	2011/12	5.125%	700	1,140	1,122	2,962
	2012/13	5.125%	700	1,122	1,104	2,926
	2013/14	5.125%	700	1,104	1,086	2,890
	2014/15	5.125%	800	1,086	1,065	2,951
	2015/16	5.125%	800	1,065	1,045	2,910
	2016/17	5.125%	800	1,045	1,024	2,869
	2017/18	5.125%	900	1,024	1,001	2,925

**ORLEANS TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

Year	Interest		Interest	Interest	Total
	Rate	Principal			
2018/19	5.125%	900	1,001	978	2,879
2019/20	5.125%	1,000	978	953	2,931
2020/21	5.125%	1,000	953	927	2,880
2021/22	5.125%	1,100	927	899	2,926
2022/23	5.125%	1,100	899	871	2,870
2023/24	5.125%	1,200	871	840	2,911
2024/25	5.125%	1,300	840	807	2,947
2025/26	5.125%	1,300	807	773	2,880
2026/27	5.125%	1,400	773	737	2,910
2027/28	5.125%	1,500	737	699	2,936
2028/29	5.125%	1,500	699	661	2,860
2029/30	5.125%	1,600	661	620	2,881
2030/31	5.125%	1,700	620	576	2,896
2031/32	5.125%	1,800	576	530	2,906
2032/33	5.125%	1,900	530	481	2,911
2033/34	5.125%	2,000	481	430	2,911
2034/35	5.125%	2,100	430	376	2,906
2035/36	5.125%	2,200	376	320	2,896
2036/37	5.125%	2,300	320	261	2,881
2037/38	5.125%	2,400	261	199	2,860
2038/39	5.125%	2,500	199	135	2,834
2039/40	5.125%	2,600	135	69	2,804
2040/41	5.125%	2,680	69	-	2,749
					0
Subtotal		47,280	27,652	26,440	101,372
					0
Total Building Authority Debt		287,280	156,805	149,892	593,977
					0
Total Debt		1,695,193	703,098	666,865	3,065,156

## **GENERAL FUND**

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The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Recreation and Culture and Other.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**ORLEANS TOWNSHIP**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGETED			VARIANCE WITH FINAL
	AMOUNTS			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
TAXES				
Current property taxes	\$ 64,000	\$ 64,000	\$ 58,480	\$ (5,520)
Delinquent property taxes	<u>1,500</u>	<u>1,500</u>	<u>7,565</u>	<u>6,065</u>
TOTAL TAXES	<u>65,500</u>	<u>65,500</u>	<u>66,045</u>	<u>545</u>
LICENSES AND PERMITS				
Licenses and permits	<u>2,000</u>	<u>2,000</u>	<u>1,310</u>	<u>(690)</u>
STATE SOURCES				
State revenue sharing	<u>193,000</u>	<u>193,000</u>	<u>186,910</u>	<u>(6,090)</u>
CHARGES FOR SERVICES				
Land division application fees	1,500	1,500	850	(650)
Street lighting	7,300	7,300	8,331	1,031
Cemetery	9,200	9,200	13,199	3,999
Telecom			4,221	4,222
Trailer fees	144	144		
Cable franchise	6,000	6,000	9,570	3,570
Landfill surcharge	<u>8,000</u>	<u>8,000</u>	<u>9,601</u>	<u>1,601</u>
TOTAL CHARGES FOR SERVICES	<u>32,144</u>	<u>32,144</u>	<u>45,772</u>	<u>13,773</u>
FINES AND FORFEITURES				
Ordinance violation fines	<u>4,000</u>	<u>4,000</u>	<u>2,855</u>	<u>(1,146)</u>
INVESTMENT EARNINGS				
Interest on deposits	<u>5,100</u>	<u>5,100</u>	<u>10,797</u>	<u>5,697</u>

**ORLEANS TOWNSHIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGETED			VARIANCE
	AMOUNTS			WITH FINAL
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
OTHER REVENUE				
Refunds and rebates	500	500	3,289	2,789
Library special fund	1,200	1,200	50	(1,150)
Fire department revenue	1,000	1,000	43	(957)
Gifts and donations	1,500	1,500		
Library grant	500	500	500	0
Transfer from sewer fund	3,500	3,500		
Other revenue	7,400	7,400		
TOTAL OTHER REVENUE	15,600	15,600	3,882	682
TOTAL REVENUES	\$ 317,344	\$ 317,344	\$ 317,571	\$ 227
EXPENDITURES				
LEGISLATIVE				
Township board	\$ 23,375	\$ 26,983	\$ 23,273	\$ 3,710
GENERAL GOVERNMENT				
Supervisor	12,515	12,667	10,101	2,566
Elections	1,800	2,220	1,472	748
Assessor	17,475	17,475	16,543	932
Clerk	18,913	19,029	14,312	4,717
Board of review	2,200	2,403	1,531	872
Treasurer	22,481	22,498	20,899	1,599
Townhall	5,850	6,494	4,748	1,746
Pension plan	6,000	6,192	6,009	183
Employment taxes	6,200	6,200	4,966	1,234
Inspections	2,700	2,700	430	2,270
Building lease	18,500	18,500	17,407	1,093
Total general government	114,634	116,378	98,418	17,720

**ORLEANS TOWNSHIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
<b>PUBLIC SAFETY</b>				
Township deputy	28,000	28,000	26,976	1,024
Fire department	34,525	34,731	26,236	8,495
Ambulance	17,000	17,383	3,412	13,971
<b>Total Public Safety</b>	<b>79,525</b>	<b>80,114</b>	<b>56,624</b>	<b>23,490</b>
<b>PUBLIC WORKS</b>				
Drains	1,000	1,000	716	284
Road work	48,460	48,460	46,040	2,420
Street lighting	7,300	7,300	11,184	(3,884)
Long lake sewer	2,600	2,600		2,600
<b>Total Public Works</b>	<b>59,360</b>	<b>59,360</b>	<b>57,940</b>	<b>1,420</b>
<b>RECREATION AND CULTURE</b>				
Community library	3550	3583	2,743	840
Recreation and parks	1750	1750	437	1,313
<b>Total Recreation and Culture</b>	<b>5,300</b>	<b>5,333</b>	<b>3,180</b>	<b>2,153</b>
<b>CEMETERY</b>				
Cemetery	20,000	20,291	19,134	1,157
<b>PLANNING</b>				
Planning Commission	3,150	3,383	1,492	1,891

**ORLEANS TOWNSHIP**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

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	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
INSURANCE				
Insurance	12,000	18,265	18,265	0
 TOTAL EXPENDITURES	 \$ 317,344	 \$ 330,107	 \$ 278,326	 \$ 51,781
REVENUE OVER (UNDER) EXPENDITURES	0	(12,763)	39,245	52,008
NET CHANGE IN FUND BALANCE	0	(12,763)	39,245	52,008
FUND BALANCE, BEGINNING OF YEAR	219,567	219,567	219,567	-
FUND BALANCE, END OF YEAR	\$ 219,567	\$ 206,804	\$ 258,812	-

**Lawrence Tiejema, PC**

**Certified Public Accountant**

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: [tiej@iserv.net](mailto:tiej@iserv.net)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

August 15, 2006

The Township Board  
Orleans Township  
Ionia County, Michigan

I have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Township of Orleans, State of Michigan, as of and for the year ended March 31, 2006, which collectively comprise Orleans Township's basic financial statements and have issued a report thereon dated August 15, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

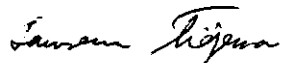
In planning and performing my audit, I considered the Orleans Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orleans Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

August 15, 2006

**Lawrence Tiejema, PC**

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: [tiej@iserv.net](mailto:tiej@iserv.net)

September 18, 2006

Board of Orleans Township  
3077 Palmer Road  
Orleans, MI 48865

To the Board of Orleans Township:

You may refer to my report on internal control over financial reporting and compliance with laws and established accounting procedures. The letter states that I noted no matters involved internal control over financial reporting that would be considered material weaknesses. In the course of the audit, I noted that the clerk has recorded township financial transactions on Quickbooks accounting software. Clerk Ellie Groom has done an excellent job of entering transactions in relation to the uniform chart of accounts. Treasurer Joel Noe has kept a very complete record of all investment/deposit accounts on Quicken software, providing a complete record of all accounts. It was observed that all accounts presented were reconciled monthly with the bank statements, and that the clerk and treasurer have reconciled their balances on a current basis. This statement is not made to provide assurance on internal control, but to comment on an internal control that is properly in place.

In the course of the audit, I noted two items that could be improved so that financial reports issued throughout the year could be more reliable.

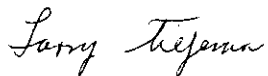
- (1) The Sewer Fund issues paychecks to its employees, but does not accrue either employee withholding or the employer social security/medicare payroll tax. At the end of the fiscal year, the Sewer Fund typically transfers an amount equal to employee withholding and employer payroll tax to the General Fund to reimburse it for the payment of these taxes throughout the year. It was noted in the year ended March 31, 2006, only one-half of this obligation was transferred from the Sewer Fund to the General Fund. It is my recommendation that the Sewer Fund reimburse the General Fund on a quarterly basis and reconcile the reimbursable amount at the time that the quarterly form 941 is filed with the federal government.

Page Two

- (2) The Sewer Fund receives hook-up payments from its residents who have financed the flat fee for the hook-up of their residence to the sanitary sewer system. Accordingly, these hook-up payments have both a principal and interest component. When the Treasurer reports these payments to the Clerk, however, only one number is reported. At the end of the fiscal year, the principal and interest components must be calculated. If possible, I recommend that the Treasurer report the interest and principal components at the time of each deposit into a checking or savings account.

I would be very happy to discuss any of the comments above with any of the appropriate members of the Board. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA